

Message Text

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TAGS: BEXP, IV

SUBJ: MAJOR PROJECT-TAABO HYDROELECTRIC

REF: ABIDJAN 5120 B) ABIDJAN 4198 C) ABIDJAN 3671 D) ABIDJAN 5688

SUMMARY: JULY 5, IMPREGILIO SIGNED LETTER OF INTENT FOR TAABO HYDROELECTRIC PROJECT CIVIL WORKS (TP-1). LAST MINUTE EFFORT BY DRAVO TO OBTAIN CONTRACT WAS UNSUCCESSFUL. ACEC (WHOLLY-OWNED BELGIUM SUBSIDIARY OF WESTINGHOUSE) REPORTEDLY OBTAINED CONTRACTS FOR TP-2-8. GOIC HELD FIRMLY TO FIXED-PRICE BID CONCEPT AND APPARENTLY FOUND THE ACEC CONSORTIUM APPROACH, ON THE AVERAGE, MORE ATTRACTIVE THAN INDIVIDUAL OFFERS.

2. FOLLOWING IS SEQUENCE OF EVENTS DURING PERIOD JULY 1-5

CONCERNING NEGOTIATIONS FOR TAABO HYDROELECTRIC PROJECT:

A. JULY 1, MINISTER OF PLAN DIAWARA CALLED THE AMBASSADOR TO ASK IF HE COULD CONVINCE DRAVO TO CHANGE FROM A COST REIMBURSABLE TO A FIXED-PRICE BID. DIAWARA SAID THAT IF DRAVO WERE TO DO SO, IT WOULD GET THE TP-1 CONTRACT.

B. JULY 2 (AM), THE AMBASSADOR MET WITH DRAVO REPRESENTATIVES (VP JOHNSON, ROBERT DOWELL, FRANK FLOOD) WHO SAID THEY WERE MOVING TOWARD A FIXED PRICE BID; 50 PERCENT OF THE TOTAL WAS LIMITED OFFICIAL USE

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NOW AT FIXED PRICE. IN VIEW OF MINISTER DIAWARA'S COMMENTS TO

THE AMBASSADOR, DRAVO REPS TELEPHONED PITTSBURG HEAD-QUARTERS TO PRESENT SEVERAL OPTIONS, INCLUDING A TOTAL FIXED-PRICE BID. PITTSBURG AUTHORIZED DRAVO REPS TO PROPOSE A FIXED-PRICE BID FOR ALL ITEMS EXCEPT LABOR WHICH WOULD REMAIN ON A COST REIMBURSEABLE BASIS.

C. JULY 2 (PM), DRAVO REPS MET WITH MINISTERS DIAWARA AND BEDIE (ECONOMY AND FINANCE) TO EXPLAIN NEW APPROACH. MINISTERS SAID THEY WERE INTERESTED AND ASKED DRAVO REPS TO MEET WITH KAISER FOLLOWING MORNING.

D. JUL 3 (PM), WE SUBSEQUENTLY LEARNED THAT MINISTERS MET WITH IMPREGILIO REPS IMMEDIATELY AFTER MEETING WITH DRAVO AND AGREED TO AWARD TP-1 CONTRACT TO IMPREGILIO. DRAVO REPS WERE SO INFORMED LATER THAT EVENING.

2. DURING COURSE OF NEGOTIATIONS FOR TP-1, IMPREGILIO REDUCED ITS FIXED-PRICE BID FROM 25 BILLION CFA TO 22 BILLION CFA, I.E. BY MORE THAN 10 PERCENT. AT SAME TIME WHILE MOVING FROM COST REIMBURSABLE APPROACH TO FIXED-PRICE BID, DRAVO'S PROPOSAL ROSE FROM 22 BILLION CFA TO 24 BILLION CFA. THUS, MINISTERS CONCLUDED THAT IMPREGILIO SHOULD RECEIVE CONTRACT.

3. REGARDING THE TP-2-8 (TURBINES, GENERATORS, TRANSFORMERS, ELECTRICAL EQUIPMENT, PEN STOCKS, GATES AND HOISTS, CRANES), IT WOULD APPEAR THAT THE ACEC CONSORTIUM "WHOLE" WAS MORE ATTRACTIVE THAN THE SUM OF INDIVIDUAL BIDDERS' "PARTS". AS PER REFTEL B, PARA 7 (C), APPROXIMATELY 25 PERCENT OF TOTAL 9 BILLION CFA COULD BE AMERICAN EQUIPMENT, I.E. \$4.5. MILLION, THUS, A CONSIDERABLE PORTION OF THE \$80 MILLION EXIMBANK LOAN/ GUARANTEE WILL NOT BE DRAWN DOWN: \$15 MILLION HAS ALREADY BEEN EMPLOYED FOR CONSTRUCTION EQUIPMENT, PERHAPS \$4 TO \$5 MILLION BY ACEC, AND PERHAPS \$15 MILLION FOR KAISER SERVICES, OR \$35 MILLION TOTAL.

4. COMMENT: ALTHOUGH US FIRMS WERE UNSUCCESSFUL IN THE TAABO BIDDING, WE CAN DRAW TWO IMPORTANT LESSONS FROM THE EXERCISE, WHICH SHOULD GUIDE US FIRMS BIDDING ON FUTURE PROJECTS IN IVORY COAST, E.G. BUYO HYDROELECTRIC PROJECT (REFTEL D):
A. THE GOIC OBVIOUSLY PREFERENCES A FIXED-PRICE BID (AS WAS RECOMMENDED BY KAISER) SINCE IT WANTS TO KNOW AB INITIO# HOW MUCH THE PROJECT WILL COST EVEN THOUGH, AS DRAVO ARGUED, THE PROJECT MAY ULTIMATELY COST MORE THAN IF IT WERE ON A COST LIMITED OFFICIAL USE

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REIMBURSABLE BASIS. AN ADDITIONAL REASON FOR PREFERING THE FIXED-PRICE APPROACH IS THAT THE GOIC DOES NOT HAVE TO SET UP AN ELABORATE ADMINISTRATION TO MONITOR REIMBURSABLE COSTS.
B. THE GOIC APPARENTLY ALSO FAVORS CONSORTIUM BIDDING, EVEN WHERE OTHER INDIVIDUAL BIDS MIGHT BE LOWER THAN THOSE OF CONSORTIUM MEMBERS, BECAUSE IT IS EASIER TO DEAL WITH ONE ENTITY.
SMITH

NOTE BY OC/T: # AS RECEIVED.

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